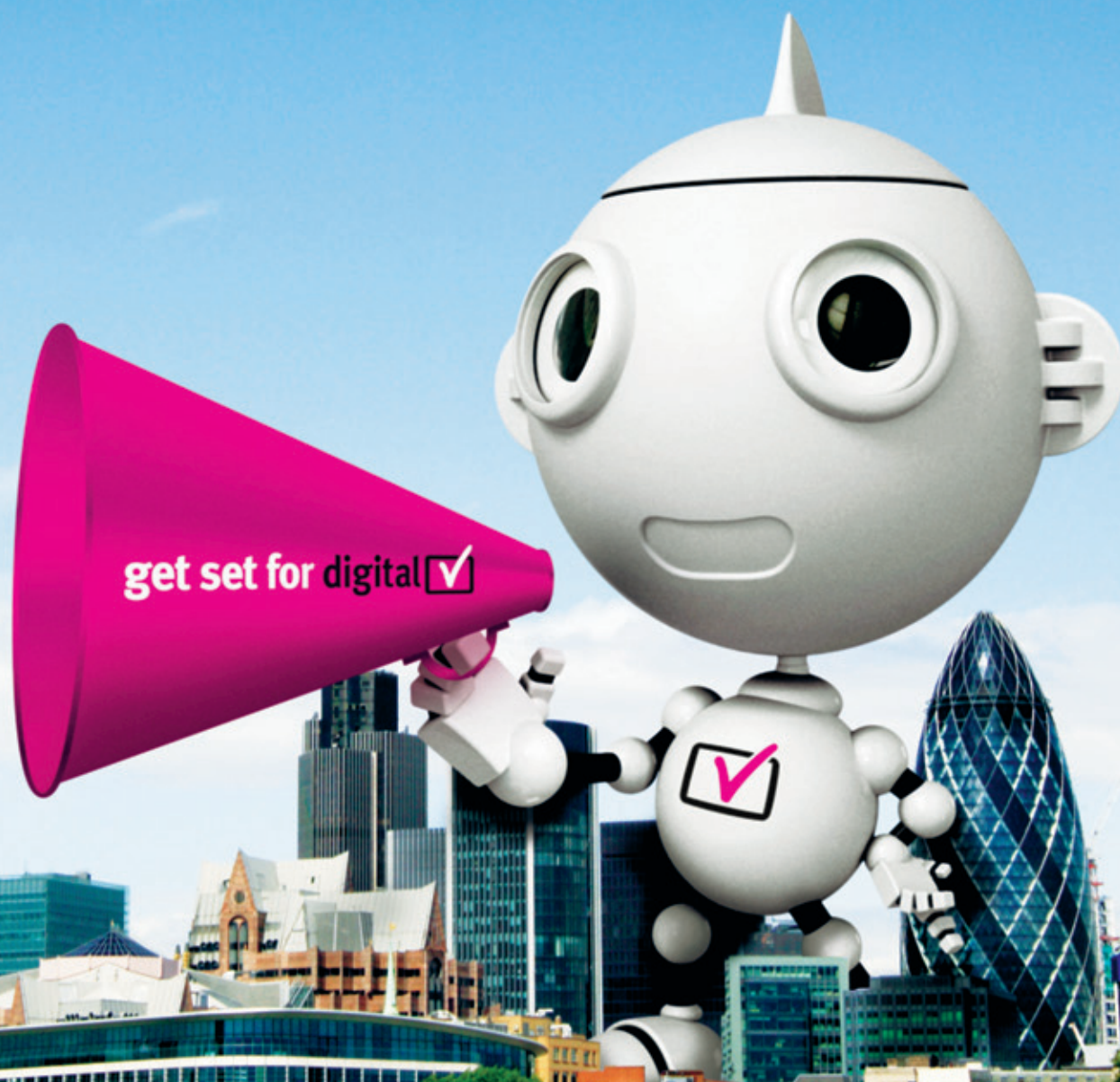


digitaluk

Switchover's biggest year

Report for the year to 31 March 2012



Contents

| | |
|--|----|
| Introduction | 03 |
| Chief Executive's report | 04 |
| What is switchover? | 06 |
| 2011: Switchover's biggest year | 08 |
| Switchovers 2011-2012 | 10 |
| Focus: preparing for London switchover | 12 |
| The Engineering Programme | 14 |
| The Information Campaign | 16 |
| Working with the community | 18 |
| Financial report | 20 |
| The Digital UK board at 31 March 2012 | 22 |

Introduction

A handwritten signature in black ink, appearing to read 'B Cox'.

Barry Cox
Chairman

Welcome to the Digital UK annual report for the year to 31 March 2012.

I am delighted with the progress David Scott and his team have made, taking more than two-thirds of homes smoothly through switchover and maintaining the programme on track for successful completion in October 2012. I am sure readers of this report will be struck not only by the scale of what has been achieved, but also the determination of Digital UK, and our key partners Arqiva and the Switchover Help Scheme, to go the extra mile to make switchover easy for viewers.

On behalf of the Digital UK board, I would like to thank David, his team and everyone else who has made TV switchover such a successful project.

Chief Executive's report



David Scott

David Scott
Chief Executive

The year under review in this report was a momentous one for TV switchover. More than 11 million homes in central Scotland, the Midlands, Yorkshire, Anglia and Meridian had to be prepared for the day when their analogue channels were turned off. These are some of the UK's largest TV regions and they tested our ability to manage multiple large-scale switchovers while also planning and executing the launch of our campaign in London.

I am pleased to say that Digital UK and our partners rose to these challenges, completing 25 separate switchovers and bringing a further two million homes into Freeview coverage for the first time.

A key ingredient in our ability to meet the demands of multiple projects is attention to planning and co-ordination. The modernisation of the terrestrial television network can only be achieved if all the key activities are delivered on time and efficiently. This involves planning complex engineering work, the provision of public information and support, including an advice line offering one-to-one advice to thousands of viewers every week. The Digital UK programme and operations team, led by Alex Pumfrey, co-ordinates the switchover activities among all the project partners and her team deserves great credit for ensuring that, throughout this most testing of years, all parts of the programme remained on track and on time.

Special thanks go to our partners at Arqiva, who together with Digital UK's broadcast team, led by Mike Hughes, have ensured the huge programme of engineering work required for switchover has been carried out smoothly with a minimum of disruption to viewers. Much praise must also be given to colleagues at the Switchover Help Scheme, which has now helped more than a million older and disabled people make the switch to all-digital TV.

25

separate switchovers completed

4.9m

homes were switched to digital
in the London TV region

The regions which switched in the year to 31 March 2012 are home to some of the UK's biggest cities. Our communications campaign, led by Beth Thoren, had to work hard to ensure that awareness of switchover was achieved among viewers in these busy urban areas. This was also a major consideration as our planning focus shifted to preparing for the London TV region switchover in April 2012. Once again we had to flex our campaign to ensure it punched its weight in the country's most crowded communications market. In addition to being the most populous region, with 4.9 million households, London's diverse population also called for an increased focus on reaching out to black and minority ethnic audiences, many of whom may not easily engage with mainstream public information campaigns. The London region was well prepared by the end of March, and proceeded through switchover on 4 and 18 in April 2012, bringing 400,000 viewers into Freeview coverage for the first time.

Our presence on the ground in each region is vital to the success of switchover. Led by Simon Crine, this activity brings together our local teams and partners, particularly retailers and charities with whom we work, providing a vital human face to changes which some viewers find difficult. I would like to offer particular thanks to the many charities and volunteers that we and the Help Scheme worked with throughout the year. The information and support they offered viewers in the course of their day-to-day events and at Advice Points on switchover days provided a valuable safety net for those who needed extra help.

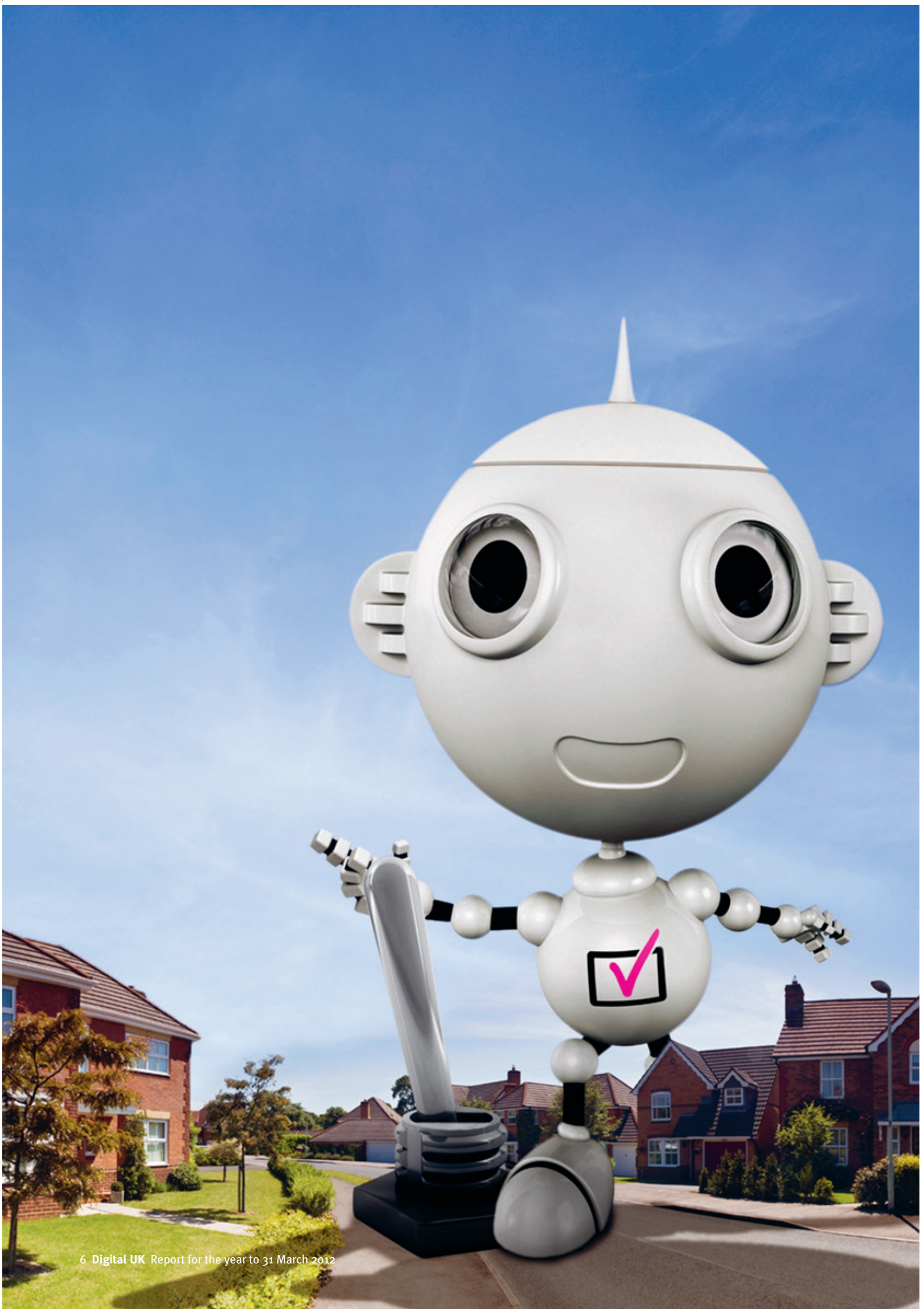
This was also the year when we started preparing for switchover for more than nine million homes in the final regions of the programme – Meridian, London, Tyne Tees and Northern Ireland, where the UK's last analogue television signals will be turned off on 24 October 2012. Plans for this final stage of the programme are now well advanced

and on course to conclude smoothly. As a result of the switchover programme, between 2008 and the end of 2012 around four million households will have been brought into Freeview coverage, which will rise to more than 98.5 per cent of UK households.

Despite the demands of this year, I am pleased to report that we continued to make efficiencies in our communications campaign and have achieved considerable further cost savings. I now estimate that we will be under budget by more than 30 per cent by the end of the programme.

For Digital UK, the year to 31 March 2012 was also busy because Ofcom confirmed that we will co-ordinate the clearance of digital television from frequency channels 61 and 62 in the 800 MHz band of spectrum. These changes will allow for pan-European 4G broadband standards to be achieved. This will require a smaller Digital UK team – about one-third of the staff that we need for switchover – to co-ordinate the work that is required at more than 400 transmission sites during late 2012 and throughout 2013. Viewer retunes during 2013 will be required for seven million homes at around 250 of these locations. I am delighted that Digital UK has been asked to bring our experience in managing switchover to deliver, and to support viewers through, these important changes.

Digital UK currently has a terrific team of 55 people, each of whom contribute to our success. I am most grateful for the cheerful hard work and expertise of every one of them. Two thirds of these people will leave Digital UK in the next few months, as the switchover programme draws to a close in October 2012. I wish those staff every success in their future careers. They certainly deserve to flourish.



96%

of homes have converted
their main TV to digital

What is switchover?

Switchover is the process of fully converting the UK's terrestrial television system to digital. Analogue channels broadcast from more than a thousand transmitter sites are being switched off, region by region, and digital terrestrial TV (Freeview) signals boosted to match coverage. By 31 March 2012, around 70 per cent of the UK had successfully made the transition to digital-only TV. Switchover will be completed across the UK on 24 October 2012 when the last analogue services in Northern Ireland are switched off.

Why is it happening?

Before switchover, millions of households in the UK were unable to receive digital television through an aerial due to the scarcity of airwaves suitable for broadcasting. Switching off the existing analogue system frees up capacity, making it possible to extend coverage to virtually all households. After switchover, more than 40 free-to-air terrestrial TV channels will be available to nine-out-of-ten UK households. Around 15 TV channels will be available elsewhere, up from four or five in analogue. Digital broadcasting is also more efficient, creating capacity for new services such as ultra-fast wireless broadband.

What do viewers need to do?

Nine-out-of-ten viewers already have digital TV on their main set. For those watching via Freeview, digital TVs and set-top boxes need to be retuned on switchover day when signals get a power boost and move to new frequencies. Any remaining analogue sets need to be converted to digital. Virtually any TV, even a black and white one, can be converted with a digital box. Digital TV services are available via an aerial, satellite, cable or broadband. Viewers can check their options for getting digital TV and get help with retuning online at digitaluk.co.uk, or by calling the Digital UK switchover advice line on 08456 50 50 50.

2011: Switchover's biggest year

The switchover programme entered its busiest phase in 2011. During the period under review, 25 transmitter groups serving 11.8 million homes were successfully switched across five TV regions (Anglia, Central, STV Central, Yorkshire and Meridian). A further 4.6 million households were also required to retune Freeview equipment due to technical changes at transmitters in their area.

The year presented a number of logistical challenges, not only due to the increase in scale but also because events occurred simultaneously in different parts of the UK. Meticulous planning, resource management and regular reviews across all aspects of Digital UK's work were required to ensure everything remained on track. Digital UK's Programme Office team provides this 'glue': maintaining detailed project plans to ensure a common understanding of activities, supporting communications (both internally and with partners), identifying and managing risks and issues as they arise, and generally overseeing the switchover process.

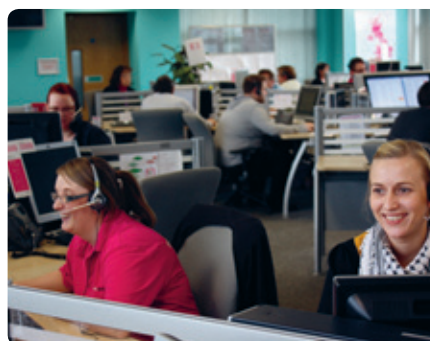
Alongside an intense programme of switchovers, information campaigns got underway in Meridian and London – two of the country's biggest TV regions, accounting for more than a quarter of UK homes. Each brought its own particular issues. Meridian reaches from Dorset in the west to the Isle of Thanet in the east and poses a number of technical challenges for terrestrial broadcasting, in part due to incoming TV signals from the continent which can cause problems with reception for viewers. London is not only the biggest TV region by population but also the most culturally diverse – see Preparing London for switchover on pages 12 and 13.

In some areas signals from different transmitters can overlap, allowing households to receive more than one regional TV service. This was a particular factor in planning switchovers in the Central and Yorkshire TV regions, where we made sure advice on manual retuning was made more prominent across our campaign and our Advice Line agents were trained to provide assistance to viewers who were affected.

Beyond switchover

Digital UK's role in co-ordinating the release of further spectrum in the 800MHz band was publicly confirmed in a statement by Ofcom in October 2011. These frequencies will be made available for new services, including 4G high-speed mobile broadband. Ofcom estimates that releasing this spectrum in line with other European countries will deliver benefits with a value of £2 billion to £3 billion.

Engineering work will be required at more than 400 transmission sites during late 2012 and 2013. At about 250 of these locations, some TV services will move to new frequencies, requiring viewers to retune DTT televisions and set-top boxes. Our approach to supporting viewers will draw on the lessons of switchover to provide guidance for anyone who may experience reception problems after retuning.



Digital UK's advice line helped 700,000 viewers during the year

A large, white, friendly-looking robot with a single antenna on its head and large, round eyes. It has a pink checkmark on its chest. The robot is standing on a rooftop or balcony, with the Bullring building's iconic silver, bubble-like facade in the background. The sky is clear blue.

12m

homes were prepared for
the end of analogue TV in
their area

Switchovers 2011-2012



Shetland Islands



Channel Islands

- Successfully switched
- Switching in 2012

Switchovers to 31 March 2012

STV Central

National Manager: **Paul Hughes**
Number of homes: **1.7 million**
Switchover completed: **22 June 2011**

Yorkshire

Regional Manager: **John Askew**
Number of homes: **2.6 million**
Switchover completed: **21 Sep 2011**

Central

Regional Manager: **Peter Monteith**
Number of homes: **4.1 million**
Switchover completed: **28 Sep 2011**

Anglia

Regional Manager: **Peter Monteith**
Number of homes: **1.9 million**
Switchover completed: **23 Nov 2011**

London and remaining regions

London

Regional Manager: **Deborah Bain**
Number of homes: **4.9 million**
Switchover completed: **18 April 2012**

Meridian

Regional Manager: **Bill Taylor**
Number of homes to switch: **2.1 million**
Main sets ready (Feb 2012): **93%**
Switchover completes: **27 June 2012**

Tyne Tees

Regional Manager: **John Askew**
Number of homes to switch: **1.4 million**
Main set ready (Feb 2012): **96%**
Switchover completes: **26 Sep 2012**

Northern Ireland

National Manager: **Denis Wolinski**
Number of homes to switch: **649,000**
Main set ready (Feb 2012): **91%**
Switchover completes: **24 October 2012**

44%

of UK households made the transition to all-digital terrestrial TV in the year to 31 March 2012



Ice cream sellers in Scarborough help Digit Al announce the date for switchover in the Yorkshire TV region last year

Focus: Preparing for London switchover

In addition to the switchovers to 31 March, preparing the London TV region for analogue TV being switched off in April 2012 was one of the major challenges of the year. The region is the largest in the country, comprising some 4.9 million homes with around 12 million televisions.

Served by the Crystal Palace transmitter group, London successfully switched to all-digital TV in two stages on 4 and 18 April 2012, making Freeview channels available for the first time to more than 400,000 viewers. While the switchover days were as busy as expected, especially for those offering direct support to viewers, the changes went extremely smoothly. Over the two switchover days, our call centre agents took more than 70,000 calls while thousands visited our roadshows and charity-run advice points.

In the run-up to April 2012, our planning took account of a number of factors:

- The scale of the London switch, which coincided with other events including a large-scale retune at the Rowridge transmitter on the Isle of Wight, increasing demands on viewer support services.
- The region has a young and transient population with the highest proportion of minority ethnic residents in the UK. It also has a higher than average proportion of flats and renters. Awareness of switchover is generally lower across these groups.
- London's congested media landscape made delivering campaign messages more difficult, particularly with the run-up to the London 2012 Olympics.



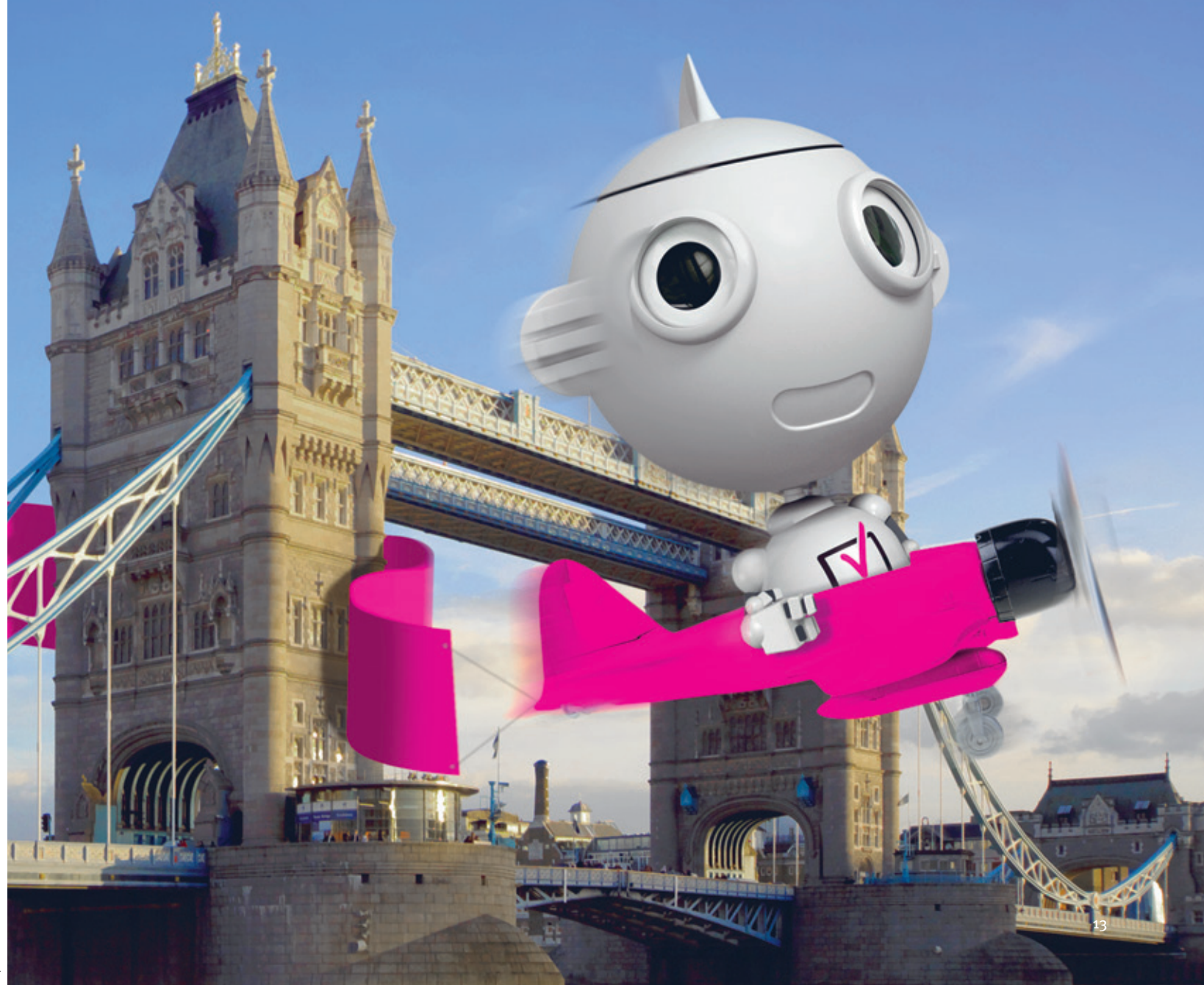
get set for digital ☒

Our campaign in London followed the same approach used elsewhere but was adapted in various ways to address these and other issues. We scaled up our viewer support services, boosting the number of advice line staff to around 700 at peak times to meet anticipated demand. Tenants and minority ethnic audiences were the focus of targeted campaigns and we invested in high-impact advertising, including a branded underground train.

In the retail sector, more than 1,000 retail outlets signed up to the Digital Logo scheme before the first stage of switchover, with more than 1,480 retail staff completing a training programme. A team of eight Retail Support Executives actively worked with

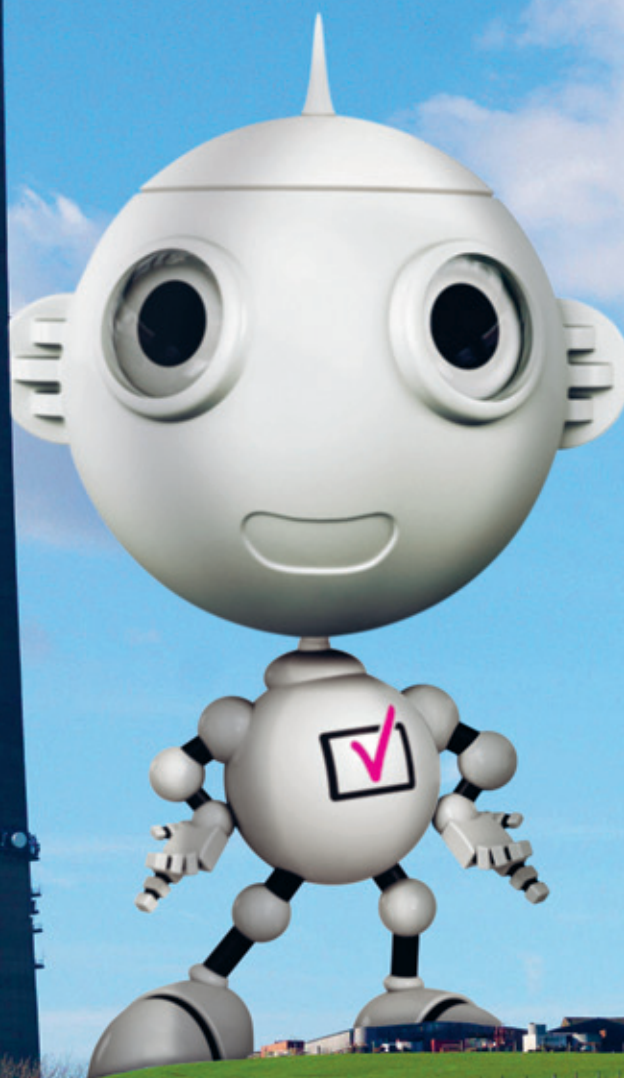
retailers over the switchover period to ensure things ran smoothly. All public housing providers also confirmed that they had switchover plans in place before 4 April.

As well as providing advice for viewers via our website and advice line, a total of 400 roadshows and events were organised in conjunction with Digital Outreach Ltd and our charity partners at switchover to offer face-to-face support. In addition, the Switchover Help Scheme completed mailings to 1.3 million people eligible for practical help to convert one TV to digital, resulting in more than 150,000 equipment installations.



4m

homes switched in one
day in September



The engineering programme

This year saw a significant increase in activity for the engineering programme as switchover continued across Scotland and began in the Yorkshire, Central, Anglia and Meridian TV regions. By the end of March 2012, more than 11 million homes in these areas had completed the transition to digital-only TV – with two million brought into Freeview coverage for the first time.

September 2011 saw record-breaking days for switchover and for Digital UK. Almost four million homes across Yorkshire and the West Midlands, served by the Emley Moor and Sutton Coldfield transmitter groups, switched simultaneously. The process required site visits at some 85 relays and was carried out by 36 separate engineering teams to ensure everything was completed on the same day and viewer disruption was kept to a minimum.

Work to re-engineer remaining transmitters across the UK is progressing well, with all air-works concluded in October following the installation of the two new antenna systems at the Divis transmitter in Northern Ireland. This represents a huge milestone in the DSO programme to the continuing credit of Arqiva, which owns and upgrades the transmitter network.

In tandem, the Channel 61 and 62 Clearance Programme has made significant progress in freeing up parts of the 800MHz spectrum for the launch of 4G mobile broadband services. In total, 92 sites have been successfully integrated into switchover, significantly reducing both cost to Government and the impact on viewers. Where possible integration has been included with the remaining sites in 2012, sparing nearly 6.5 million households from an additional retune.

Planning for the remainder of the Clearance programme is nearing completion. Engineering work is already underway and will continue into 2013.

2m

homes were brought into Freeview coverage for the first time



Engineers from Arqiva have upgraded transmitters across the UK, including the Crystal Palace tower, which was lit up as signals were boosted for 12 million viewers in the London TV region

The information campaign

17m

leaflets were sent to homes
undergoing switchover

3.5m

Number of visits to the Digital UK
website during the year

This year presented the biggest challenge to date for Digital UK's information campaign. With switchovers happening across five large TV regions on thirty-four different dates, getting the right message to the right homes at the right time was essential.

Building on experience from previous switchovers in the Granada TV region and Wales, information about signal overlaps and the potential need for some viewers to manually retune Freeview equipment was integrated across the campaign from an early stage. This helped to ensure most people knew what to do if they received a different local news programme after retuning, though inevitably some needed extra help to get their preferred service. In total, around 17 million leaflets were sent to homes across central Scotland, Yorkshire, the Midlands, East Anglia and parts of the south east of England in the year to 31 March.

Covering areas including Birmingham, Coventry and Leicester, the Central TV region is home to some of the largest minority ethnic communities in the UK. Additional advertising on satellite TV and specialist multi-lingual 'street teams' were used in these locations to help prepare residents. In Yorkshire, it was possible to split TV advertising across the region to make sure viewers only saw the switchover dates relevant for their area.



BBC and ITV news presenters join forces to launch Digital UK's information campaign in the North East

In September 2011, the main communications campaign began for viewers in London. With any number of media campaigns running regularly across the capital, including those for the Olympics, early planning was the key to success and making sure our messaging stood out. Alongside our traditional advertising, we negotiated with Transport for London to create a pink and white tube train carrying switchover messaging on the Central Line, helping to raise awareness among travellers. It is estimated that more than 45 million journeys were taken on the Central Line in the course of the tube train's three-month run.

London is also the most ethnically diverse area of the UK. Following our successful targeted campaigns in earlier regions, additional advertising and work with media serving black and minority ethnic groups ensured that approximately nine-out-of-ten were aware of the switchover in the final week before the process began in April.

Our advice line handled around 700,000 calls during the year, often providing step-by-step retuning guidance to viewers on switchover days. Our roadshows provided face-to-face advice to around 170,000 visitors and our website received 3.5 million visits. Social media sites such as Facebook and Twitter have also allowed us to offer further online support.

We continued to use consumer research to test the effectiveness of our campaign. It indicated that typically 98 to 100 per cent of viewers were aware of switchover before the first stage and had converted their main set to digital. Moreover, efficiencies across all areas of communications are expected to result in final cost savings by the end of the programme of at least 30 per cent from an overall budget of £201 million.



The switchover information campaign includes TV and radio advertising, outdoor posters (top) and leaflets sent to every home in each region (above). In London, the *Evening Standard* was used to raise awareness (left)

Working with the community

Switchover is essentially a local event which takes place transmitter by transmitter around the country. This makes the work of our regional teams and their partners vital to its overall success. Working on the ground to prepare viewers, charities, retailers, the media and local politicians, their goal was to make sure everyone was ready for the biggest change to TV for a generation.

Early engagement with local media always helps to get viewers thinking about switchover ahead of time and debunk popular myths, such as the need to buy a new TV or a so-called ‘digital aerial’ to receive Freeview. This was especially true in the Central TV region, which alone covers some 4.1 million households – the largest outside London – and is home to scores of media outlets. Regular interviews with the regional teams on local radio stations, TV and in the press at key points during our campaign helped to answer questions viewers had about preparing for the end of analogue signals and allay fears of blank screens. In London’s uniquely busy news environment it was sometimes harder to make switchover a regular story on TV and radio, but we saw a sharp increase in media interest in the closing stages of the campaign.

During the year under review, 3,300 articles on switchover appeared in print with more than 90 per cent either positive or simply factual in tone.

We must also thank our partners among local charities who reached out to viewers who needed a bit of extra help, from the volunteers at Age Concern Birmingham who teamed up with the vicar at St Michael’s Church to deliver a sermon on switchover to the local Polish community, to the members of the Tadcaster Volunteer Car Scheme Association in Yorkshire, who made sure their older, disabled and isolated clients were ready and pointed them to the Switchover Help Scheme where relevant. Volunteers also manned advice points at switchovers throughout the year to provide face-to-face support on the day to those who needed it. In total, around 5,000 community events were held during the year across the regions to support viewers through switchover.

Across the UK, our trade teams provided thousands of training sessions for retailers over the last twelve months and held 30 seminars for aerial installers, ensuring they understood the technical implications of switchover and could provide the best support for customers. Briefings and follow-up sessions with housing providers also resulted in all public sector housing providers having plans in place for residents ahead of switchover in their area.



Roadshows visit each area in the run-up to switchover offering face-to-face advice to viewers

5,000

charity events helped to raise awareness of switchover during the year



Financial report

The financial information presented within this document does not comprise the statutory accounts of Digital UK Limited for the financial years ended 31 March 2011 and 2012 but represents extracts from them. These extracts do not provide as full an understanding of the financial performance and position, or financial and investing activities, of the company as the complete Financial Statements.

The statutory accounts for those years have been reported on by the company's auditor and delivered to the registrar of companies. The reports of the auditor were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The Financial Statements, including the auditor's report, can be obtained free of charge on request to the company at The Met Building, 22 Percy Street, London W1T 2BU.

Profit and Loss

Digital UK Limited

Company limited by guarantee

Financial statements for the year ended 31 March 2012

| | 2012 | 2011 |
|---|----------|----------|
| | £000 | £000 |
| Turnover | 40,792 | 24,986 |
| Cost of sales | (37,511) | (21,731) |
| Gross profit | 3,281 | 3,255 |
| Administrative expenses | (3,305) | (3,274) |
| Operating loss | (24) | (19) |
| Interest receivable | 32 | 26 |
| Profit on ordinary activities before taxation | 8 | 7 |
| Tax on profit on ordinary activities | (8) | (7) |
| Result for the year | - | - |

All of the activities of the company are classed as continuing. The company has no recognised gains or losses other than the results for the year as set out above.

Balance Sheet

Digital UK Limited Company limited by guarantee

Balance sheet at
31 March 2012

| | 2012 | | 2011 | |
|--|----------|-------|----------|-------|
| | £000 | £000 | £000 | £000 |
| Fixed assets | | | | |
| Tangible fixed assets | | 58 | | 97 |
| Current assets | | | | |
| Debtors | 2,031 | | 4,300 | |
| Cash at bank and in hand | 17,296 | | 9,676 | |
| | 19,327 | | 13,976 | |
| Creditors: amounts falling due within one year | (18,656) | | (13,341) | |
| Net current assets | | 671 | | 635 |
| Total assets less current liabilities | | 729 | | 732 |
| Creditors: amounts falling due after more than one year | | (298) | | (732) |
| Provisions for liabilities | | (431) | | - |
| Net assets | | - | | - |
| Capital and reserves | | | | |
| Profit and loss account | | - | | - |
| Shareholders' funds | | - | | - |

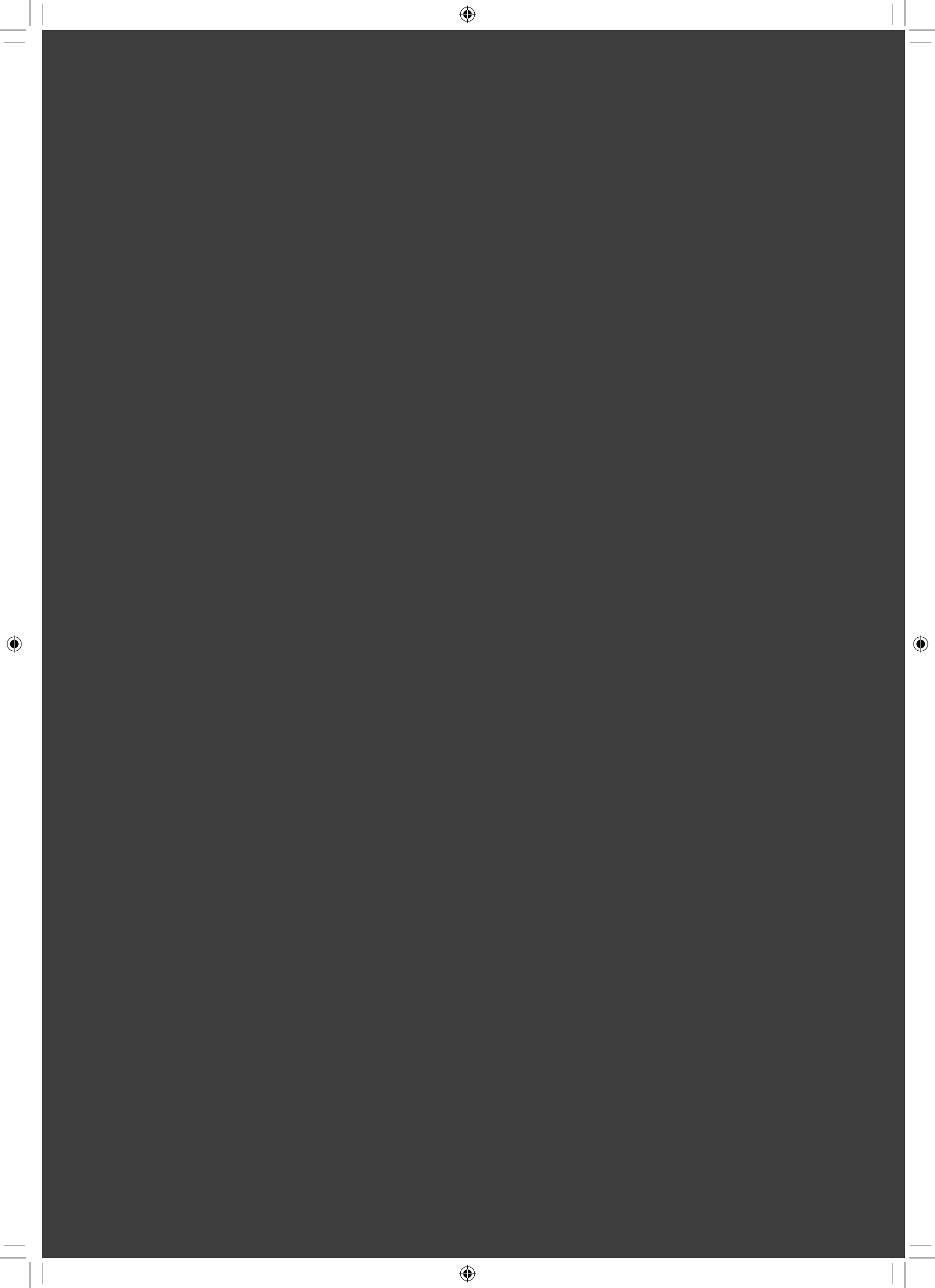
Digital UK Board at 31 March 2012

Barry Cox
David Scott

Chairman, Digital UK
Chief Executive, Digital UK

Caroline Thomson
Nicki Sheard
Magnus Brooke
Glyn Isherwood
Martin Stott
Steve Holebrook
Caroline Cooper
William Higham
Danny Churchill

Chief Operating Officer, BBC
Brand Director, Audio & Music, BBC
Director, Policy & Regulatory Affairs, ITV
Director of Finance, Channel 4
Head of Regulatory Affairs, Channel 5
MD – Broadcast & Media, Arqiva
Finance Director, ITV STUDIOS UK
Director of Consumer Electronics, Intellect UK
Supply Chain Group



digitaluk

The Met Building
22 Percy Street
London W1T 2BU

0845 072 4025
digitaluk.co.uk

